

# Basics of Personal Finance

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# Today's Objectives



We'll discuss the answers to these important questions:

- What is personal finance?
- What's a budget?
- Why are the benefits of having one?
- What are the steps to building a budget?
- How can you make budgeting a habit?
- What's the 50/30/20 rule?





# What's A Budget?

(Does That Word Bum You Out?)

**A budget is an intentional way of recording money earned and spent, with a goal of finding ways to help your money work smarter.**





# Budgeting Is The Foundation Upon Which Financial Success Is Built.



Without a plan



With a plan







# What Are The Benefits of Budgeting?



# Budgeting Gives YOU Control Over YOUR Money.



- It creates intention.
- It saves you the stress of suddenly having to adjust to a lack of funds. (“Where did all of my money go?”)
- It can help you avoid spending on items that do not contribute to your financial goals.





# Budgeting Makes You Aware Of What Is Going On With YOUR Money.

- You are acutely aware of what is coming in, what is going out, and where it is going.
- You know what you can afford.
- It identifies what's important to you.



# Budgeting Helps You Save For Expected – And Unexpected – Costs.



- **Want to buy a house?** You'll most likely need a down payment.
- **Do you want to take a nice vacation?** A budget will help identify how much you can save and by when.
- **Saving for a rainy day?** The refrigerator goes out, car breaks down, your dog gets sick...
- **You can handle life's curveballs** if you budget for savings.





# Budgeting Enables You To Communicate With Your Significant Other About Money.



- If you share your money with someone else, a budget helps you communicate with each other about what is important.
- It creates common financial goals.
- It helps avoid conflicts.
- If you have children, it can teach them accountability and responsibility with money.

**Pro tip:** Pay bills with your partner together every month. That way, each of you is acutely aware of your financial situation – and can discuss shared goals.



# A Budget Helps You Determine If You Can Take On Debt... And How Much.



- Taking on debt is not a bad thing, if the debt is necessary and/or you can afford it.
- Budgeting shows you how much debt load you can realistically take on without being stressed.
- Two examples of where debt is necessary: buying a car or home.



# Buying A Vehicle

Determine how much you can afford before you go shopping.

- Your credit score determines your rate. Rate is a factor that determines your payment.
- The value of the vehicle determines how much can be financed.
  - Loan to value ratio
  - Will you need a down payment?
  - Debt to income ratio: No more than 40% (exceptions apply)





# Buying A Home

- You will need a down payment – typically, 20% for most borrowers and 10% for first-time borrowers.
  - SLFCU: 3% down for qualified first-time buyers
- Must have funds available for closing costs.
- Must have a credit score above 620.
- Must have at least two trade lines open at least one year, with good payment history.
  - SLFCU can use alternative credit, such as rental history.
- Monthly payments should be no more than 25-28% of your monthly gross pay.

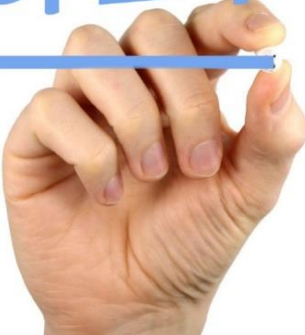


# Steps To Building A Budget



- Examine your income stream and spending.
- Analyze your habits.
- Make a plan.

BUDGET



# Identify What's Coming In



Item	Amount
Salary	
Spouse's salary	
Dividends	
Interest	
Investments	
Reimbursements	
Other	
Total	



# Track And Categorize Money Going Out



Expenses for \_\_\_\_\_ (month/year)

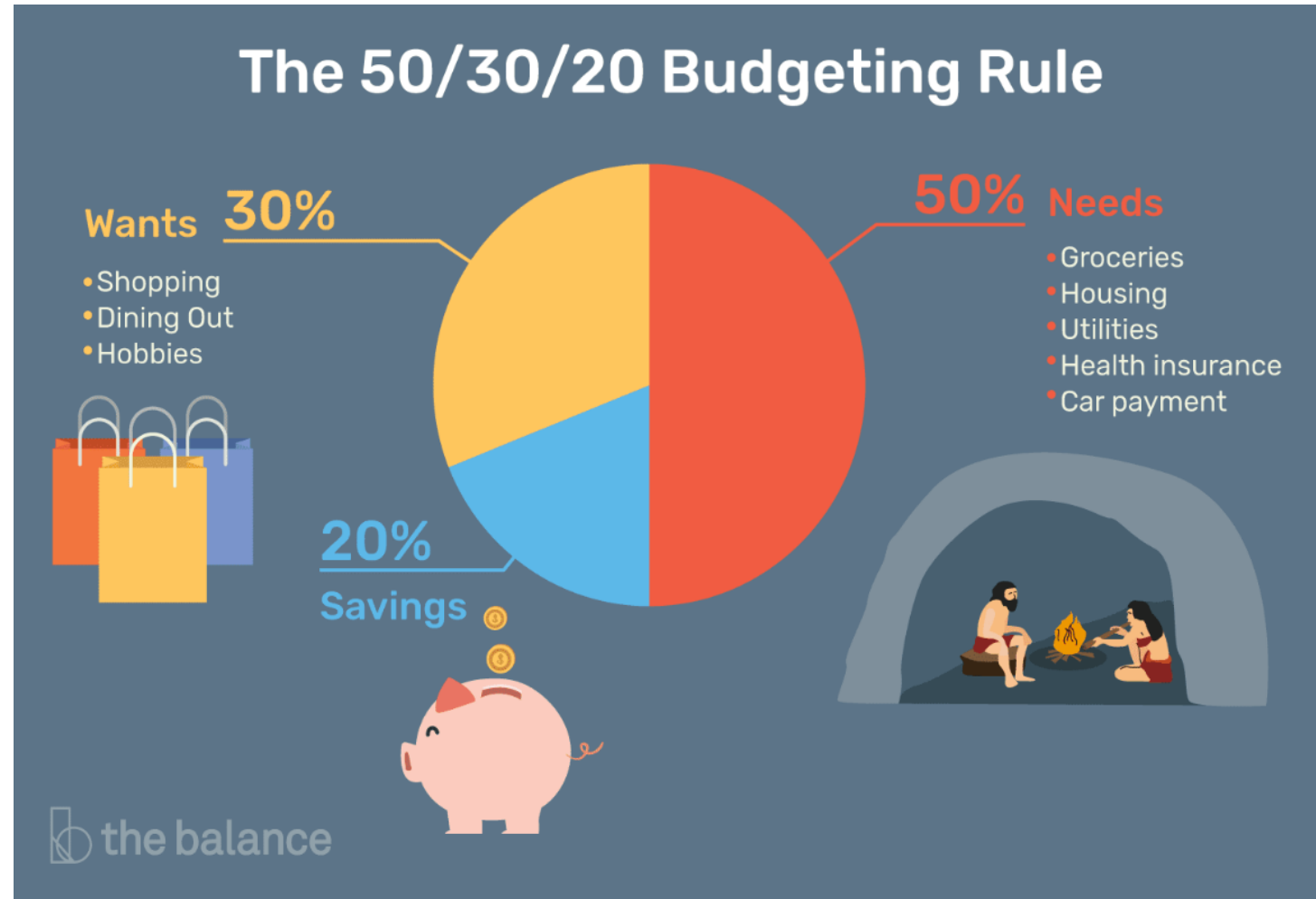
Item	Amount
Housing	
Groceries	
Basic utilities	
Insurance	
Credit card(s) min payment(s)	
Student loan payment	
Childcare	
Care payment	
Gas	
Shopping (clothing/other)	
Dining out	
Hobbies	
Money going into savings:	
401(k)	
IRA	
Other	
Other	

# Subtract Income From Expenses



Income vs. Expenses	
Item	Amount
Monthly income	
Monthly expenses	
Difference	

# Prioritize The 50/30/20 Rule





# 5 Tips To Start A New Budgeting Habit

- Know your WHY.
- Keep it simple.
- Do it every day.
- Stick with it.
- Nothing is set in stone.



# Thank You!

We hope we've given you solid answers to these important questions today:

- What is personal finance?
- What's a budget?
- Why are the benefits of having one?
- What are the steps to building a budget?
- How can you make budgeting a habit?
- What's the 50/30/20 rule?

**“Budgeting is not just for people who do not have enough money. It is for everyone who wants to ensure that their money is enough.”**  
– Rosette Mugidde Wamambe

# Questions?

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